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Pay-for-Success Apprenticeship Pilots:

A Framework for Outcomes-Focused Expansion

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Executive Summary

This policy brief leverages on-the-ground insights from leading workforce development providers and intermediaries across the country to build the case for pay-for-success apprenticeship models supported by public funding and provide key design insights for policymakers. Embracing pay-for-success approaches can provide an innovative, efficient way to expand apprenticeships participation and enhance quality, following recent federal and state actions that demonstrate keen interest among policymakers in advancing the frontier of apprenticeships financing in a rigorous, intentional way.

We propose launching a series of pilots to enable federal and state leaders, as well as their private partners, to set the stage for more robust, effective pay-for-success financing reforms that build on past state incentives to transform apprenticeship funding moving forward. One approach is to support at least 5 states to launch pilots within the next year. An alternative, and complementary, pilot could be designed around incentivizing the growth of large-scale, multi-state programs (e.g., those currently registered on a multi-state or national basis) with the federal government as the payor.

We also identify potential legislative options to expand support for pay-for-success apprenticeships moving forward. One option is to directly support a pilot in appropriations, building on past bipartisan language requiring a feasibility analysis of pay-for-success apprenticeships. On a longer-term basis, reauthorization of the National Apprenticeship Act should incorporate an emphasis on pay-for-success financing through state apprenticeship funding and complementary support for effective PFS design.

Introduction

Apprenticeships are surging in popularity in the United States, and for good reason. Apprenticeships offer a compelling model to bridge education and workforce transitions, and they provide a powerful tool for upskilling and reskilling the workforce. They are also gaining significant momentum among students: a nationally-representative 2023 survey by the ECMC Group found that approximately two-thirds of high school students prefer post-high school learning on the job, such as through an apprenticeship.[1] Participation in apprenticeships has grown steadily over the past decade and a half, from 410,000 apprenticeships in 2011 to 696,000 as of September 2025.[2] As these numbers bear out, there is obvious appeal to a model that enables participants to earn a living wage while they develop their skills through secure employment.

Policymakers too are championing apprenticeships. Fifteen governors highlighted apprenticeships in their 2025 state of the state addresses, while state legislatures doubled the number of apprenticeships bills passed from 2014 to 2023.[3] At the federal level, apprenticeships have remained a bipartisan priority. And this year, President Trump called for the federal government to support efforts to "reach and surpass 1 million new apprenticeships," by broadening apprenticeships to new industries and occupations, and to "improve [the] efficiency" of apprenticeships' impact.[4]

While this steady growth in apprenticeships is promising, to successfully accelerate and maintain the expansion of apprenticeships will require new approaches. Present public funding for apprenticeships pales in comparison to policymakers' expressions of support. The typical public funding structure – that is, competitive grants – does not provide dependable support for sustained investment. Outside the United States, apprenticeships thrive through predictable, sustained, formula-based public funding. These models pay at a fixed rate based upon the satisfaction of one or more milestones (e.g., hiring, retention, completion, receipt of increased wages) and cover the cost of classroom-based training, administering apprenticeships, and marketing apprenticeships to employers. However, in the United States, cumbersome rules often discourage participation among employers. These barriers, alongside broader structural differences, have contributed to far lower apprenticeship participation rates in the United States relative to other industrialized nations.[5]

The unique power of apprenticeships is that they are jobs with structured training tailored to a specific occupation. This means that apprenticeships do not exist without employers, and scaling apprenticeships to a meaningful level will require the large scale buy-in of employers on the model, and ongoing support for those employers. The organizations that do this important work – marketing apprenticeships to employers, administering apprenticeships on behalf of employers – can come in all shapes and sizes, and are collectively known as **intermediaries**.[6]

In other countries, a flourishing intermediary marketplace has stimulated the growth of apprenticeships and assumed the responsibility of marketing on behalf of the government and administering programs on behalf of employers. In the U.S., some progress has been made with intermediaries; however, at present, the hard but valuable work of marketing, organizing and administering apprenticeships does not have a sustainable public funding model.

We propose piloting pay-for-success (PFS) approaches to apprenticeship financing, with the federal government playing a lead convening role leveraging intentional, action-oriented testing and evaluation. The PFS model funds apprenticeship sponsors on a pre-determined per-apprentice basis, and only pays out for real outcomes when apprentices are hired, in training, graduating, and succeeding in their careers. This emerging strategy can maximize the impact of public apprenticeship investment, set the stage for learning and improvement, and make a compelling case for additional investment. This structure also ensures that the programs receiving funding are those with proven track records of success – enabling effective programs to scale. PFS apprenticeships financing could enable more effective, efficient apprenticeships funding; increase participation among leading evidence-based workforce organizations by providing stronger financial incentives; and support inclusion of new sectors and new populations, including among pre-apprenticeships models that directly lead to successful apprenticeships and career outcomes.[7]

Across policy domains, PFS approaches have served as an effective means for investors – including governments – and providers to set clear goals, establish aligned incentives, expand flexibility, and ultimately drive stronger outcomes. Historically, federal funding for apprenticeships has been limited in scale and constrained to grants for specific activities – in contrast to most other education and workforce programs that are funded by formula or on a per-student basis – incorporating few strong incentives for states or providers to maximize its impact. **But a handful of pioneering states have begun to lead the way for an innovative model of apprenticeship financing in the United States, setting the stage for a set of national PFS apprenticeship pilots that lay the foundation for system-wide reform.**

This policy brief leverages on-the-ground insights from workforce development providers, intermediaries, and PFS experts around the nation, including both organizations with deep experience with apprenticeships and those with emerging interest. We address key considerations for the testing and implementation of pay-for-success apprenticeships and discuss the potential design of two promising options, with either states and/or the federal government serving as payor. Key recommendations include the following:

- **Rigorous evaluation of innovation** is essential to demonstrate what financing approaches work best and under which conditions, building on several state-level initiatives.
- **Engaging new sectors, new populations, and new providers** will illustrate how apprenticeships can dramatically expand both their reach and impact, including by serving people facing barriers to employment (and by piloting support for pre-apprenticeships that lead to full apprenticeships), as well as by emphasizing engagement by providers leveraging evidence-based models.

- **Financing structures should emphasize long-term outcomes while recognizing up-front financing needs, and funding should leverage the flexibility of PFS methods**. The financing models should both provide serious incentives to strengthen completion and post-apprenticeship economic outcomes, as well as enable the development and creation of impactful programs. The pilots should provide organizations with flexibility to pursue outcomes, and should also emphasize ways to leverage other funding streams and ensure there is sufficient investment to support the strongest program models.
- **State-focused pilots** would set up foundational reforms to the current model of federal apprenticeship funding, ideally accompanied by an emphasis on simplifying and streamlining registration processes and building capacity (e.g., strengthening data infrastructure). These pilots would build on existing state apprenticeships incentives by rigorously testing design features of more robust pay-for-success structures, including outcomes metrics (e.g., longer-term earnings) and payment structures.
- **The federal government could also serve as payor** to support large-scale, multi-state models, leveraging existing pay-for-success funding streams.
- **Expert technical advising support for financing design will be critical** to support the effective development, implementation, and expansion of PFS pilots.
- **Moving forward, Congress should also support pilots and PFS methods** by building on its prior support for feasibility assessment through appropriations or National Apprenticeship Act reauthorization.

These PFS apprenticeship pilots would build upon recent demonstrated bipartisan commitment to both apprenticeships and to pay-for-success approaches, ranging from the $100 million Social Impact Partnerships to Pay for Results Act (SIPPRA) demonstration program under the Bipartisan Budget Act, to a bipartisan spring 2024 appropriations requirement that the Department of Labor assess and report on the feasibility of a pay-for-success initiative to increase and expand registered apprenticeship programs.[8]

PFS apprenticeship pilots would also build upon administrative efforts already underway. Earlier this year, the Department of Labor's $84 million State Apprenticeship Expansion Formula (SAEF) round 3 grants included an option for pay-for-success financing, which Tennessee's successful competitive SAEF3 grant proposed to leverage with more details forthcoming.[9] Then, in August 2025, the Departments of Labor (DOL), Commerce, and Education previewed their plans to explore a similar model in August's America's Talent Strategy:[10]

> The Departments will also explore how other existing federal funding streams might be better leveraged to support the expansion of Registered Apprenticeships. Pay-for-performance models will be used to provide predictable financial support for employers, while outcomes based grants to states will reward efforts that grow apprenticeship participation and reduce barriers to expansion.

And most recently, in October 2025, DOL made a $36 million award to the Arkansas Division of Workforce Services to support the expansion of manufacturing apprenticeships by leveraging a national incentive fund to promote program scale and sustainability.[11] Our recommendations can inform the continued design and implementation of this new American Manufacturing Apprenticeship Innovation Fund under Arkansas's leadership.

Embracing pay-for-success approaches can provide an innovative, efficient way for policymakers to expand apprenticeships participation and enhance quality. Launching a series of pilots will enable federal and state leaders, as well as their private partners, to set the stage for financing reforms that could transform apprenticeship funding moving forward.

I. Setting the Stage: Key Considerations for PFS Apprenticeships

As a starting point, we lay out several key considerations for the design of pay-for-success apprenticeships as a means to expand participation and drive stronger outcomes for participants, employers, and our economy.

Test payment structure design and amounts per apprenticeship

Apprenticeships financing is an area ripe for rigorous innovation. Accordingly, we believe a series of pilots – either through states or the federal government serving as the payor, as we discuss below – will demonstrate which financing approaches work best and under which conditions. These pilots would be more robust than states' initial approaches thus far as they would provide a sustainable funding mechanism for the work of organizing high-impact apprenticeships, including an emphasis on longer-term outcomes such as completion and post-program earnings.

First, governments do not need to start from scratch. Instead, DOL should engage one or more national organizations with technical expertise in pay-for-success financing to support the development and effective implementation of pilots, building on lessons learned from partnerships in pay-for-success financing ranging from the federal SIPPRA program to local Workforce Innovation and Opportunity Act (WIOA) formula dollars. This could include supporting potential state applicants to craft proposals that DOL then works with states and intermediaries to finalize under a cooperative agreement, leveraging a similar structure as the recent Industry-Driven Skills Training Fund program. In our experience, this kind of intermediary support is typically necessary to develop well-honed PFS approaches, whether under the SIPPRA program, the Social Innovation Fund, or the recent ARPA-H HEROES PFS health outcomes demonstration effort.

Second, DOL should emphasize high-quality evaluation and the use of administrative data to validate outcomes and set the stage for expansion of PFS approaches through state financing. The pilots should involve a rigorous evaluation of impacts (e.g., participant entry, completion, earnings, employment), prospectively using cutting-edge quasi-experimental methods to reduce burden and improve reporting time. In addition, we suggest incorporating cost-benefit analysis compared to non-PFS state financing structures (e.g., dollars per outcome funded) to identify the marginal benefit of various incentive design features, as well as a rigorous process/implementation evaluation to understand barriers to the use of PFS and ways to overcome them to facilitate the growth of group sponsorship under PFS funding. Ideally, apprenticeship intermediaries and sponsors would document the registration, progress, and completion of their apprentices through the existing Registered Apprenticeship Partners Information Database System (RAPIDS) or a state alternative where they exist; no additional paperwork should be necessary for recognition of completion of milestones.

Engage new sectors

Substantially expanding participation in apprenticeships requires engaging new players, including providers and their employer partners, and pay-for-success approaches can provide financial incentives to incorporate new sectors. Bipartisan policymakers have long sought to broaden apprenticeships beyond their historic concentration in the construction trades, for which there are already public incentives and funding structures. The pilots therefore should emphasize serving new sectors outside of construction to maximize their marginal impact.

The prevalence of apprenticeships economy-wide in other countries demonstrates the applicability of the model to a range of occupations outside of the skilled trades. As AFA's recent analysis demonstrates,[12] the sectors with the greatest capacity for expansion are manufacturing, business services, education, healthcare, and information technology, alongside continued growth in residential construction. Recently, teaching and nursing have evidenced real promise, with states engaging apprenticeship intermediaries to play an active role in accelerating the development of these programs.[13] In fact, states have already begun to use financial incentives as a means to encourage the development of "nontraditional" apprenticeship sectors, ranging from energy and IT in Arkansas to manufacturing in Connecticut. Connecticut has even established premium tax credits for these priority industries, above and beyond the amount provided for construction apprentices.[14]

Propel America:

Leveraging Pay-for-Success Financing to Engage Sectoral Employment Providers

Propel America is an emerging sectoral employment provider focused on addressing the healthcare talent shortage through an innovative, integrated model that helps young adults build upwardly mobile careers. With public funding, they are in the process of launching a healthcare apprenticeship pilot cohort in California with four employers this year, as well as a new apprenticeship program in Pennsylvania in 2026. Apprenticeships' earn-and-learn structure, as well as its on-the-job training and mentorship components, were natural fits for Propel's core coaching and wraparound support model. Propel's nascent engagement with apprenticeships also demonstrates the promise of pay-for-success financing as a means to involve leading evidence-focused workforce providers and their employer and training partners.

Propel works with seven health systems across the nation and offers accelerated programs that lead to rewarding careers in two pathways so far: medical assistants and sterile processing technicians. Propel partners with institutions of higher education to offer tuition-free training alongside robust supports, including externship placement and a stipend; application and interview support; and hire-ready and post-hire coaching. Their Fellows, who are primarily young adults from lower-income backgrounds, experience a 30 percent wage increase on average, while their alumni persistence rate far outpaces the industry standard.[15] Propel is committed to rigorous evidence-building, including upcoming participation in an ongoing randomized controlled trial with American Institute for Research.[16]

California offers some of the most robust incentives of any state, and that financing structure played a key role in Propel's entry into apprenticeships given their history of proven results. Propel's Chief External Affairs Officer Claire Dennison noted, "We have history and outcomes through our legacy training program that serve as a great launch point. One of the reasons we picked apprenticeships is that we retain participants in jobs extremely well." In fact, states' incentive structures will shape Propel's decision-making as they expand moving forward. Julia Horn, Vice President of Market Growth & Strategy, notes, "Incentives prioritize where we think we want to go with this."

At the same time, start-up support from a California Opportunity Youth Apprenticeship Planning Grant was critical. Dennison says, "It's incredibly scary to go straight to pay-for-success funding. We're learning, so if we can have a little room to do that, that's very helpful." Start-up funding in one state can also enable organizations to replicate elsewhere. Horn states, "I think the states that don't have front-loaded funding seem easier now that we've done this once or twice. We would not have been able to do it if we had not had at least that one initial state with planning money behind it."

Looking forward, apprenticeships – particularly if scaled nationally through a PFS approach– could be a crucial step in accelerating Propel's path to scale. In addition to the direct dollars, Horn notes that Propel's status as a registered apprenticeship sponsor provides key recognition and credibility as they pursue other workforce funding. They are growing rapidly, with their 508 Fellows served in 2024 representing a 60 percent increase from the year before. In 2024, Propel covered a quarter of its expenses through public funding, and expanding that pool will be invaluable to continue their growth. As Dennison describes their California work, "We're excited to get some wind in our sails from a state that's already thinking about pay-for-success funding."

Prioritize new populations, including through pre-apprenticeship pipelines

Pay-for-success financing also provides a vehicle to incentivize participation among new populations, both in apprenticeships and pre-apprenticeships. For example, *America's Talent Strategy* emphasizes the importance of "workforce strategies that strengthen transitions into employment for populations such as veterans and individuals who were formerly incarcerated."[17]

There is a long precedent for workforce agencies leveraging pay-for-success approaches to prioritizing serving populations with distinct needs, ranging from the Department of Labor's use of performance-based payments under the Reentry Employment Opportunities (REO) program to innovative financing used by SkillSource Group, Northern Virginia's Workforce Development Board, to increase services for justice-involved young adults as well as former foster youth.[18] Increasingly, states have implemented new financial incentives focused on engaging particular populations in apprenticeships, such as the California Youth Apprenticeship Grant that supports opportunity youth.[19]

In particular, pay-for-success financing could ultimately provide a vehicle to expand participation earlier in the pipeline by establishing incentives for placement and ultimate success of pre-apprenticeship participants, prospectively by adding a weight in the financial model that encourages participation by certain populations. This approach can build on states' efforts to provide formula funding for pre-apprenticeships – for instance, Florida's Pathways to Career Opportunities model.[20] One of the pilots could, for example, test providing pre-apprentice sponsors a bonus payment for pre-apprentices who ultimately complete an apprenticeship and secure stable employment. In our partners' experience, pre-apprenticeships are often essential to broaden accessibility among workers who are primed to benefit from apprenticeships; refining this model will be particularly critical once the labor supply dynamic swings back in workers' favor, in contrast with present hiring slowdowns, and employer take-up of apprenticeships expands. As Nadine Abraham of America Forward Coalition member Social Finance points out in a recent piece, the main reason pre-apprenticeships aren't more popular is funding, alongside providers' lack of capacity to track and collect outcomes data to make the case for investment – but innovative financing strategies and new investment in performance measurement could fix that.[21]

ActivateWork:
Advancing Opportunity through Apprenticeship Placement

The career journey of Juan Marquez, a 2022 graduate of ActivateWork's AWS Cloud Fundamentals bootcamp, illustrates how structured earn-and-learn models that incorporate apprenticeships alongside complementary sectoral education and training can transform career trajectories for adults facing systemic barriers. ActivateWork is a Colorado-based workforce provider, intermediary and group apprenticeship sponsor that helps employers meet critical IT and cybersecurity talent needs while expanding access to high-quality, earn-and-learn pathways for diverse adult learners. ActivateWork offers its technology training in partnership with Per Scholas, a national sectoral training provider backed by multiple studies proving their impact on economic success, alongside robust wraparound supports including career coaching, community resources, professional and life-skills coaching, and tutoring.

After early challenges, including early childhood hearing loss and academic challenges, family hardship, and job loss during the pandemic, Juan enrolled in ActivateWork's tuition-free bootcamp, where technical instruction and weekly professional skills coaching helped rebuild his confidence and sharpen his job readiness. Upon completion, Juan secured a DevOps apprenticeship with Ping Identity through ActivateWork's employer network. That apprenticeship led to full-time employment, increasing his income from entry-level wages to a competitive salary in cloud engineering. The stability and earnings gains enabled Juan to purchase his first home and continue advancing his technical skills through ongoing training.

ActivateWork President and CEO Kathryn Harris comments, "Juan's experience reflects our model's potential to expand access to high-wage tech careers for workers historically excluded from traditional pathways—and at the same time meet employers' enormous demand for skilled talent." ActivateWork serves populations traditionally underrepresented in the tech workforce: 89 percent of participants enter with low incomes, 62 percent do not hold a college degree, and 68 percent identify as people of color. Apprentices progress through a defined training lifecycle—from pre-apprenticeship preparation to structured on-the-job learning to permanent hire—supported by individualized coaching throughout the program.

Across the board, ActivateWork's program results demonstrate strong, validated economic results: nearly 9 in 10 pre-apprenticeship bootcamp participants complete their program, and experience an average 128 percent wage increase to $48,000 in their first role. Apprentices yield even stronger outcomes, with an 87 percent full-employment conversion rate and an average 200 percent wage increase pre-training to $63,000 upon apprenticeship completion.

ActivateWork is primed to leverage outcomes-based financing to sustain and expand its high-impact programs. As ActivateWork Founder and CEO Helen Young Hayes puts it, "Our approach aligns with the goals of pay-for-success apprenticeship: delivering measurable results, expanding apprenticeships in nontraditional sectors, serving workers with barriers to employment, and providing employers with a scalable, evidence-driven workforce solution."

Incentivize new providers

Shifting the financial landscape for apprenticeships could help expand participation among the many high-quality, evidence-based workforce programs that essentially operate adjacent to apprenticeships. The pilots could involve a wide array of eligible organizations to serve as group sponsors of apprenticeships, including non-governmental workforce providers, staffing companies, business service companies, trade associations, schools, workforce boards, state and local agencies, and other nonprofits and for-profit organizations that run apprenticeship programs on behalf of multiple employers.

YUPRO Placement:

Scaling Apprenticeships through a National Staffing Model

The groundbreaking work of national staffing firm YUPRO Placement, a subsidiary of renowned sectoral employment provider Year Up United, demonstrates the potential of innovative, intermediary-driven approaches to scale apprenticeships, expand access to underrepresented workers, and achieve stronger outcomes for participants and employers.

YUPRO Placement provides a scalable solution to enable employers to participate much more easily in apprenticeships while leveraging a time-tested retention model to support apprentices. They focus on professional roles that offer economic and career mobility, including placements in finance, technology, biotechnology, consumer goods, telecommunications, pharmaceuticals, and media and marketing. They work in close partnership with employers as well as more than 50 nonprofit training organizations, with a database of over 275,000 jobseekers. As YUPRO Placement CEO Michelle Sims puts it, “We’re using the model of staffing to build long-term success in these earn-and-learn programs.”

Structurally, YUPRO Placement serves as a group sponsor, managing apprenticeship programs across multiple employers and states while bridging the gap across diverse occupations and sectors, addressing a major constraint to employers’ ability to scale apprenticeships and enabling employers of all sizes to participate. While many apprenticeship sponsors focus on particular occupations, employers typically hire across many occupations and have limited bandwidth to navigate and maintain relationships for each occupation. YUPRO Placement serves as the point of contact for apprenticeship placements with employers, partnering with more than 50 training partners to source skilled talent across IT, cybersecurity, software development, mainframe development, and digital marketing. They also often work across multiple employers in the same state, providing a cohort approach that achieves economies of scale. As VP of Strategic Alliances, Emily Schaffer points out, “An IT apprenticeship will often build similar competencies across different industries like health care, financial services, and technology. The work environment may be different, but the apprenticeship skills gained are very similar.”

YUPRO Placement serves as apprentices’ initial employer of record, a particularly critical element in the context of a difficult job market for early-career hiring. As Sims puts it, “Entry-level hiring and job postings are down 35 to 40 percent year-over-year. Some of that is due to AI and automation, but the bigger piece that we’re hearing from employers is that they are wanting to do more with less, based on where the economic conditions are right now.” This arrangement, alongside YUPRO Placement’s proven ability to assess talent and career fit at scale, reduces barriers to employers’ engagement of early-career workers.

Moreover, YUPRO Placement boasts an incredible 94 percent completion rate for apprentices. Drawing on Year Up United’s evidence-based training and support approach, their model builds in top-quality coaching, upskilling, and skills-based development for apprentices.[22] This support includes partnerships with providers like FindHelp.org, which offers apprentices with resource referrals for issues like car trouble or food insecurity, and Empower Work, which offers personalized, trained, anonymous peer counseling for challenges like job stress. Sims notes, “Because we’re a public benefit organization with a mission-driven focus owned by a non-profit, we’ve invested in the high-touch, high-support model to ensure people get what they need out of the apprenticeship and complete it.” And accordingly, YUPRO Placement’s mission-oriented approach leads them to prioritize serving populations with potential barriers to employment, such as participants with past justice system involvement.

A more dependable, streamlined, outcomes-focused apprenticeship financing structure would accelerate YUPRO Placement’s efforts to scale, while also helping provide incentives and infrastructure to strengthen the system overall. As Sims notes, “Our current opportunity is massive. There’s no way to scale without partnership.”

DOL and states could prioritize outreach, support, and participation among providers implementing a model with a demonstrated evidence base, such as sectoral providers and employment social enterprises. Many more of these providers could prospectively participate in registered apprenticeships if they receive support addressing logistical and bureaucratic barriers to participation, alongside the structural incentives of an outcomes-focused, flexible approach for such programs.

These evidence-based programs typically offer strong coaching and wraparound supports to help ensure participants persist through and make the most of their programs – which can also reduce risk for employer partners. To date, many of the providers with the most robust evidence of impact on worker outcomes have had only limited engagement in apprenticeships – though many organizations are eager to participate under a more sustainable financing structure. These include both sectoral employment providers, programs that offer high-quality, sector-specific, employer-aligned training with robust supports.[23] They also include employment social enterprises, businesses that provide jobs, training, and support to people who are returning to the workforce after experiences like incarceration or homelessness.[24]

RecycleForce:
The Promise of Employment Social Enterprise to Drive Strong Apprenticeships

RecycleForce specializes in employing men and women, as they are released from prison, in a transitional job recycling electronics designed to prepare them for steady employment in the open market. Based in Indianapolis, IN, RecycleForce is a nonprofit employment social enterprise (ESE): a business built to do good by offering jobs, training, and support to people who are getting back on their feet after experiences like incarceration or homelessness. RecycleForce's impressive, evidence-based model demonstrates how ESEs offer an ideal platform for developing an apprenticeship program while offering a transitional jobs program by combining paid work experience with intensive skills training for specific occupations and employment sectors.

The employment social enterprise model, as Indiana state law now defines in 2025 legislation,[25] involves an organization that markets goods and/or services while providing transitional employment and social support, including on-the-job and life skills training, to individuals with a barrier to employment. RecycleForce's model provides not just a steady wage but also affords flexibility for on-the-job training with coaching and mentoring support. Moreover, RecycleForce – like a number of other employment social enterprises and sectoral employment organizations – is well-positioned to serve as an apprenticeship provider program because it is already the employer of record for potential apprentices.

The first step for many of the people who come to RecycleForce is learning how to work – reporting on time, staying on task, accepting supervision, practicing teamwork, and problem-solving. As RecycleForce President Gregg Keesling puts it, "It is not only about being ready for work. It is also about being training ready, developing a mindset of openness to learning and a commitment to self-improvement, all while managing and adhering to the release requirements of parole and probation." Because its workers are still under oversight monitoring, staff at RecycleForce strive to keep an open channel of communication with parole and probation to minimize disruptions during the workday and scheduled training activities.

Prospectively, a RecycleForce apprenticeship model would include Occupational Safety and Health Administration (OSHA) HAZWOPER 40 and Resource Conservation and Recovery Act (RCRA) certifications, which provide hands-on experience with disposal techniques and safety procedures and train workers to comply with an array of regulatory standards dealing with hazardous waste or other dangerous worksite conditions. The HAZWOPER 40 certification is relatively short compared to other traditional apprenticeships, but when combined with a 13-to-26-week transitional jobs program and an average period of parole/probation oversight after release from prison, it becomes an on-ramp for multiple career pathways dealing with hazardous materials.

Critically, RecycleForce boasts incredibly impressive rigorous evidence from a large-scale experimental trial, offering a tested model to apply to new apprenticeship programs. As DOL's evidence clearinghouse reports, treatment participants earned nearly $4,000 more over a 30-month period, and were also 8 percentage points more likely to be permanently employed.[26] Moreover, RecycleForce has already participated in a pay-for-success financing model under the federal Beneficiary Choice workforce program.[27] Looking ahead, RecycleForce's long history of proven outcomes for participants overcoming barriers to employment makes pay-for-success financing a natural fit as they consider expansion into apprenticeships on top of their existing earn-and-learn model.

Emphasize longer-term outcomes while recognizing up-front financing needs. Financing structures should balance the need to incentivize longer-term outcomes, including and beyond program completion, with the logistical necessities of program delivery. Pay-for-success financing structures offer an incentive for intermediaries, sponsors, and employers to invest not just in enrollment but in ongoing support throughout the program. A PFS model for apprenticeship could mean providers operate at an initial loss with new programs – where start-up costs and the costs of employer acquisition are high – but making a profit from repeat business once programs and employer relationships are established.

Actors across the workforce system have recognized the importance of leveraging apprenticeship dollars to incentivize not just apprenticeship participation but completion. An expanded emphasis on outcomes is particularly critical in the context of relatively low completion rates for apprenticeships nationwide: per DOL data, only about 42 percent registered apprentices ultimately finish their programs.[28] As a 2023 report from the Urban Institute detailed, state leaders expressed concern that enrollment-based payments did not encourage program structures that support retention and completion.[29]

Now, however, multiple states are experimenting with incentives for longer-term outcomes, setting the stage for additional rigorous testing (see sidebar). Similarly, the Virginia FastForward program for non-credit postsecondary career programs has demonstrated initial promise leveraging a pay-for-performance model that reimburses students and colleges after students complete their program and receive a related industry credential.[30] Moving forward, we also encourage experimentation with pay-for-success models that incentives not just completion but bonus payments attached to longer-term outcomes including earnings gains, persistent employment, and completion of additional stackable credentials.

Experimenting with longer-term outcome payments can also help make the system operate more fairly. For instance, one employment social enterprise leader suggested a variable rate card could pay more based not just on absolute earnings, but earnings growth as measured by administrative data, providing an incentive to serve participants who stand to gain the most – and addressing concerns that outcomes-based payments encourage providers to avoid serving participants with higher barriers. Moreover, because not all non-completion indicates a bad outcome – for instance, if an apprenticeship leads a participant to a higher-paying external job opportunity – an earnings-based incentive can account for that favorable result. Finally, another sectoral program leader suggested that over the longer term, governments might need to adjust expectations based on changing labor market conditions; rate cards could incorporate some kind of elasticity related to the broader labor market.

State Experimentation with Longer-Term Incentives

Recent examples of state experimentation with longer-term incentives include:

ARKANSAS has established a 50/50 funding model for licensed practical nurse apprenticeships, providing 50 percent of funding up-front and 50 percent upon an apprentice's completion.[31]

CALIFORNIA introduced Apprenticeship Incentive Funding (AIF) in 2022: a formula fund where eligible sponsors can apply for a reimbursement of $3,500 per apprentice in non-traditional industries, plus a $1,000 completion bonus.[32] To date, this funding has supported nearly 30,000 apprentices across 3 years, with $72 million allocated. California has seen 76 percent growth in non-traditional apprenticeships since the AIF began.

MARYLAND in 2025 established the Maryland Pay Per Apprentice Program to provide incentives for registered apprentices under a reimbursement model. Employers or sponsors may only apply for a grant for apprentices who have already been employed for at least seven months.[33]

SOUTH CAROLINA provides an apprenticeship tax credit that incorporates a $1,000 retention bonus for up to three years after an apprentice completes their program.[34]

TENNESSEE is exploring piloting a PFS approach in a particular sector through their recent federal SAEF3 competitive grant.

WISCONSIN'S youth apprenticeship model is the oldest and largest ongoing youth apprenticeship program in the U.S. In 2023-24, Wisconsin provided youth apprenticeships for more than 11,000 students, up from 2,292 in 2013-14.[35] Each year, local consortia apply for annual funding based on their numbers of youth apprentices at a rate of $1,100 per apprentice, with a reimbursement model in place.

At the same time, new financing structures should address the need for up-front funding to expand participation among more providers and partners. One large sectoral provider noted that setting up new program curricula and pathways constitute their greatest cost, while another emphasized the inherent riskiness of launching a new program can provide a powerful disincentive to entry. One option is to accompany pay-for-success funding structures with very targeted, dedicated program development support targeted to providers with evidence-based models or other compelling evidence of promise – though, to be clear, the vast majority of apprenticeships dollars should shift to a formula model. Partnerships with private philanthropic funders could also provide critical, complementary start-up funding to prime the pump of a pay-for-success model.

We also emphasize that policymakers should not impose significant restrictions on apprenticeship sponsors' use of PFS dollars, and instead embrace the ability of PFS financing to support innovative, flexible approaches in pursuit of outcomes. Some organizations, for example, may choose to leverage PFS funding for a wide array of costs, ranging from employer incentives to retention support to supportive services. Instead, the responsible federal or state agency could adopt a set of basic good standing criteria for funding participants – such as a requirement that sponsors work with multiple employers, have demonstrated a certain completion rate, or serve a certain number of apprentices already.

Costs and funding

First, the pilots should test payment structures that directly address the lack of a funding mechanism for the work of marketing and organizing apprenticeships. Apprenticeships for America has previously proposed a model with a per apprentice rate of $4,000 to $5,000, based on past performance of DOL-contracted intermediaries and existing state models. Evaluation of the previous American Apprenticeship Initiative (AAI) training programs has shown that an amount of $4,000-$5,000 (not inclusive of related technical instruction [RTI] funding) can demonstrably generate new apprenticeships.[36]

There are widespread concerns that existing incentives are too small to incentivize employers' and evidence-based providers' participation. The Urban Institute's 2023 report on apprenticeship incentives, for example, found that numerous state representatives were concerned that existing incentives were often too small to encourage employers to adopt apprenticeship given the logistical burdens of participating.[37] Our conversations with leading workforce providers operating adjacent to apprenticeships identified the same concern – one told us, "My employers say it's not worth the time and energy to complete the paperwork for the small amount of funding." Many sectoral models, for example, cost more than the typical $3,500 - $4,000 offered for apprenticeship incentives.

Public subsidies are never going to cover the entire costs of apprenticeships, especially given the main costs are wages. However, the PFS model can address these concerns by funding group sponsor intermediaries to take on this work on behalf of employers.

DOL should also explore opportunities to align other funding sources with limited federal apprenticeship dollars. For example, the forthcoming implementation of Workforce Pell could provide support for programs involving postsecondary partnerships, alongside other sources such as Workforce Innovation and Opportunity Act dollars. In particular, excluding apprenticeship earnings from program eligibility determinations could ensure that other workforce funding sources, such as WIOA, remain available to support apprentices in sustaining the earnings gains they experience by virtue of their apprenticeship. In addition, DOL could leverage relatively flexible H-1B dollars, financed by user fees paid by employers seeking high-skilled foreign workers under the H-1B visa program, for the purpose of a PFS demonstration.

II. Options for Implementation

We have identified two possible frameworks for a pilot of PFS apprenticeships financing: states serving as payors, or the federal government serving as payor. Either option could leverage the federal Registered Apprenticeships appropriation, which was funded at $285 million for the present fiscal year (FY2025), alongside other federal resources. A long-term, scaled plan might use a matching approach in which states can enhance the federal incentives.

States as payors

Historically, the federal government has channeled most apprenticeship funding through the states. Prospectively, a state-focused pilot would support states and intermediaries to test financial models for pay-for-success apprenticeships financing, assessing an array of financing arrangements and studying which strategies are most effective at expanding participation and improving outcomes (e.g., participant completion, earnings, employment). States could, for example, propose to leverage PFS financing with a focus on one or more possible sectors. DOL could consider state waivers to reduce burden and facilitate PFS approaches that focus on outcomes, and also could prioritize selecting states that also simplify and streamline registration processes, prospectively enabling pilots to reach across states. Providers widely noted that the long turnaround and extended bureaucracy involved in many states' registration processes were a serious barrier to participation.

Specifically, we suggest that DOL support at least 5 states in launching pilots within the next year. To ensure the pilots provide relevant lessons about the potential impact of PFS financing – and are not perceived as simply "boutique" models– we recommend attaching at least $3 million to each pilot. The pilots should provide flexibility to value longer-term outcomes, balanced with the importance of developing evidence on possible options quickly, as we discussed above. DOL should include support for key infrastructure costs, including financing partners and developing necessary state infrastructure for administrative data that facilitates outcomes-based payments.

In turn, these pilots would set the stage for DOL to shift state funding towards PFS models moving forward.

Federal government as payor

An alternative, and complementary pilot could be designed around incentivizing the growth of large-scale, multi-state programs (e.g., those currently registered on a multi-state or national basis). This program would be more effectively run federally rather than at the state level. In this case, we suggest that DOL consider leveraging existing pay-for-success financing structures in partnership with other agencies.

First, the $100 million Social Impact Partnerships to Pay for Results Act (SIPPRA) demonstration program provides a ready-made vehicle for pay-for-success payments under the federal government. Authorized and funded under the Bipartisan Budget Act of 2018, SIPPRA involves payments to state and local governments, typically in partnership with private intermediaries and providers, on the basis of demonstrated outcomes. There remains around $10 to $11 million in SIPPRA funds following two initial rounds of awards. Moving forward, the Treasury Department could issue a third round of awards and encourage, or prioritize, apprenticeship model, accompanied by DOL funding for expert advising support and project development.

Second, DOL could leverage relatively flexible H-1B dollars to support a PFS demonstration. This funding has regularly supported emerging agency priorities, such as DOL's recent use of this funding for the Industry-Driven Skills Fund[38] and past support for innovative, emerging apprenticeship models under the first Trump administration.[39]

Third, the Department of Education could leverage the Perkins Innovation and Modernization (I&M) funding authority to support the development and expansion of apprenticeship models, especially those focused on serving youth. The Perkins I&M program is a federal grant program dedicated to supporting innovation and evaluation of career and technical education programs, which can include pre-apprenticeships and youth apprenticeships; ED can allocate about $6 million of national activities funding per year for I&M projects. In fact, the Perkins statute specifically lists "developing and implementing a pay for success initiative" as an allowable use of I&M funds.

Importance of PFS technical expertise

Regardless of the approach, DOL and federal partners should dedicate resources to supporting the development and successful implementation of PFS apprenticeships. This investment should include up-front support for organizations with technical expertise in PFS financing to advise states in developing refined PFS financing arrangements in partnership with intermediaries, employers, and providers in advance of proposing pilots with DOL. It could also include very targeted feasibility funding to support states' and partners' engagement.

Conclusion

Pay-for-success financing provides a significant, timely opportunity to expand participation in apprenticeships to new sectors, populations, and partners while substantially strengthening outcomes. Recent actions at the federal and state level demonstrate keen interest among policymakers in advancing the frontier of apprenticeships financing in a rigorous, intentional way.

In addition to the administrative actions we discussed in this brief, Congress could consider more robust support for pay-for-success apprenticeships moving forward. One option is to directly support a pilot in appropriations, building on the bipartisan spring 2024 appropriations requirement that the Department of Labor assess and report on the feasibility of a pay-for-success initiative to increase and expand registered apprenticeship programs.[40]

On a longer-term basis, reauthorization of the National Apprenticeship Act should incorporate an emphasis on pay-for-success financing through state apprenticeship funding and complementary support for effective PFS design. Outcomes-based payments to states could provide an incentive for states to adopt more effective funding models; the Reemployment Services and Eligibility Assessment (RESEA) program authorized under the 2018 Bipartisan Budget Act, for instance, directs 10 percent of program funding to states that meet or exceed their outcome goals.[41]

If the U.S. is to fulfill its potential to provide apprenticeships at scale, and benefit from apprenticeship as a primary source of talent development for younger and older workers alike, sustained investment is required. AFA calculates that a $5 billion annual investment in PFS funding would enable 1 million new apprenticeships a year. While this is a significant increase on current apprenticeship funding, it is modest in comparison to what is spent on higher education access, with worse results, or the public subsidy other countries provide for apprenticeship.

The innovation and experimentation of the past few years, as well as excitement among the broader workforce field regarding apprenticeships, provide cause for optimism. Policymakers now have the opportunity to capitalize on this interest by pursuing systematic, rigorous, intentional pilots that set the stage for larger, even more effective investments in apprenticeships moving forward.

About America Forward

America Forward is a national nonpartisan policy and advocacy organization that unites our nation's leading social entrepreneurs with policymakers to advance a public policy agenda that fosters innovation, rewards results, and catalyzes cross-sector partnerships to expand opportunity for all. America Forward leads the America Forward Coalition, a network of 100+ of the nation's most impactful and innovative non-governmental organizations that develop and advocate for more effective public policies to advance opportunity and move all of America forward. Since its founding more than 15 years ago, America Forward has emphasized the importance of evidence-based approaches and continued evidence-building across policy domains, including education and workforce development.

About Apprenticeships for America

Apprenticeships for America (AFA) is a national nonprofit working to grow apprenticeships in the U.S. to 4 million active apprentices. Following the examples of successful peer nations such as Australia, Canada, France, and the U.K., AFA is focused on expanding the critical role played by intermediaries in marketing, developing, and operating apprenticeship programs on behalf of employers. AFA serves as a trade association for these apprenticeship practitioners, and has built a robust network of thousands of intermediaries, be they industry associations, community colleges, workforce boards, nonprofits, for profits, labor organizations, or staffing agencies. AFA conducts advocacy, research, and policy analysis on behalf of its members.

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